

Twitter Thread by Aditya Todmal

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A THREAD ON @SarangSood

Decoded his way of analysis/logics for everyone to easily understand.

Have covered:

1. Analysis of volatility, how to foresee/signs.
2. Workbook
3. When to sell options
4. Diff category of days
5. How movement of option prices tell us what will happen

1. Keeps following volatility super closely.

Makes 7-8 different strategies to give him a sense of what's going on.

Whichever gives highest profit he trades in.

<https://t.co/tgSq3zM0aI>

I am quite different from your style. I follow the market's volatility very closely. I have mock positions in 7-8 different strategies which allows me to stay connected. Whichever gives best profit is usually the one i trade in.

— Sarang Sood (@SarangSood) August 13, 2019

2. Theta falls when market moves.

Falls where market is headed towards not on our original position.

<https://t.co/i8sl40sFhR>

Anilji most of the time these days Theta only falls when market moves. So the Theta actually falls where market has moved to, not where our position was in the first place. By shifting we can come close to capturing the Theta fall but

not always.

— Sarang Sood (@SarangSood) June 24, 2019

3. If you're an options seller then sell only when volatility is dropping, there is a high probability of you making the right trade and getting profit as a result

He believes in a market operator, if market mover sells volatility Sarang Sir joins him.

<https://t.co/nlliTV9gXt>

This week has been great so far. The main aim is to be in the right side of the volatility, rest the market will reward.

— Sarang Sood (@SarangSood) July 3, 2019

4. Theta decay vs Fall in vega

Sell when Vega is falling rather than for theta decay. You won't be trapped and higher probability of making profit.

<https://t.co/7N4U0LWwer>

There is a difference between theta decay & fall in vega. Decay is certain but there is no guaranteed profit as delta moves can increase cost. Fall in vega on the other hand is backed by a powerful force that sells options and gives handsome returns. Our job is to identify them.

— Sarang Sood (@SarangSood) February 12, 2020

5. Monitors the Delta movement every minute to deal with fast moves.

Tries to be Delta neutral all the time through adjustments.

<https://t.co/QTnfe8bxPd>

I monitor my delta minute to minute (sometimes even 30 seconds). So fast moves are dealt with. I work with an operator who's sole job is to do this only.

— Sarang Sood (@SarangSood) August 7, 2019

6. Free Workbook he uses to track greeks.

<https://t.co/gs3c68GcQy>

Excel workbook for learning.

<https://t.co/f0GAJ7D828>

Just open this link <https://t.co/EzAwsv1xH>

All of the greeks will be calculated from the live feed in this workbook. There you can customize however you like.

— Sarang Sood (@SarangSood) [December 19, 2019](#)

7. Next time there's a long weekend, don't sell options purely to get theta decay, you might make loss as market has discounted all holidays.

Rather there should be a strong reason to sell options.

<https://t.co/42mGxJQ9kU>

Implementing theta collecting strategies just because of long weekend can be risky. Market always moves well in advance and discounts all holidays for theta. Though premiums are very high right now, we need some other solid knowledge to sell a strangle or straddle.

— Sarang Sood (@SarangSood) [August 9, 2019](#)

8. Expiry days premiums don't fall in the middle period.

He trades after 2 a lot.

<https://t.co/jeoaUwt2ca>

Yes straddle requires very fast adjustment after 2. In the 100 point ATM I'm able to extract only 40 points after adjustment cost that when there is less delta move. I have seen many times that on expiry days premiums don't fall in the middle period. Hoping that's the case.

— Sarang Sood (@SarangSood) [September 12, 2019](#)

9. Most powerful trading book he's ever read.

<https://t.co/NS7SI5cmjL>

Zen in the Markets: Confessions of a Samurai Trader.

— Sarang Sood (@SarangSood) [September 12, 2019](#)

10. He has created a software which tells him if the adjustment cost is high/low.

<https://t.co/75c6xde36n>

Though i don't use graphical interface but it can be made. Basically the software trades on a 5 min tf and adjust automatically (when required). It does that for ATM straddle & .20 delta strangle for nifty and bnf. It plays vital role in my daily trading.

— Sarang Sood (@SarangSood) December 20, 2019

11. Adjustment costs explained.

<https://t.co/W8NgEI2kTI>

Eg. if nifty is at 12k with straddle value of 120 and it moves to 12050 & comes back to 12k with straddle value now of 110, u would not be able to earn 10pts whole because u would shift ur straddle at 12050 to adjust the position and then back to 12k. That is adjustment cost.

— Sarang Sood (@SarangSood) January 8, 2020

12. How to foresee volatility?

Trick to find out is when OTM options don't fall more percentage wise compared to ATM options.

That's a bad sign.

<https://t.co/GmvjPtjOdp>

A way to foresee volatility: If the OTM strangle is not falling (%age wise) as compared to ATMs, then it's a sign of vol coming ahead. OTMs generally tell the truth in advance. Writers usually track a straddle or a strangle, but we need to track both to gain deeper understanding.

— Sarang Sood (@SarangSood) February 24, 2020

13. Signs of volatility in the markets

1. Gap openings
2. High premiums not falling systematically

<https://t.co/zeLh0Ggqln>

There are multiple reasons. Gap opening is the 1st sign of volatility in the markets. High premiums which are not falling systematically is the 2nd. Though premiums can still fall & give you some profit but i tend to stay away from such market conditions.

— Sarang Sood (@SarangSood) February 26, 2020

14. Volatile week DOES NOT mean a volatile expiry will take place. The expiry can be calm.

<https://t.co/LNm4e1O6HM>

Volatile week is not necessarily going to produce a volatile expiry as the past suggests. Market tends to surprise if we go with a fixated mind. Volatility should be backed by volatile rates. That's why hustle in the present moment is always all supreme. <https://t.co/Fq0vLDJyDn>

— Sarang Sood (@SarangSood) February 27, 2020

15. What does vega realisation mean?

<https://t.co/1amiD8ngpm>

Vega realisation means that if u have sold a straddle @ 100, u will not be able to earn all of it. The index movements & the straddle adjustment will be the deciding factor & hence the realisation of whatever premium out of the original 100pts. My whole trading is based on this.

— Sarang Sood (@SarangSood) June 25, 2020

16. How he starts selling options for the week.

Fridays 0.1 Delta (OTM)

By Thursday 0.5 Delta (ATM)

<https://t.co/lxsSCiuxl9>

Instead of distance i trade using delta of greeks for both NF & BNF. I start with .1 delta strangle on friday and gently scale up till .5 straddle on the expiry day.

— Sarang Sood (@SarangSood) December 24, 2019

17. What's his edge in trading?

Keeps gradually scaling up his positions when in profit. This way when he wins he wins on maximum quantity.

When he loses, it's on minimum quantity.

<https://t.co/HzAEdosvfl>

Option selling by continuously scaling up my position in profit instead of deploying the whole capital in one go is my edge in trading.

— Sarang Sood (@SarangSood) February 15, 2020

18. Different category of days for Delta neutral option sellers.

One might know what type of day it is by identifying one of the following scenarios.

<https://t.co/0rKYiRoDNr>

General category of days for option sellers with delta neutral strategies. Have not factored in high or low premiums.

1) Pure option selling day with very less delta moves. Those who are in the habit of scalping generally miss out on it's profit making potential. (1/2)

— Sarang Sood (@SarangSood) March 31, 2020

19. Good trading template for Sarang Sir.

<https://t.co/zJQq3Kg4Js>

A good trading day template for me:

- 1) Get a strong signal.
- 2) Take a trade
- 3) Keep on adding small positions in profits in high frequency
- 4) Use up ur capital
- 5) Book half profit at the end of the day
- 6) Hedge the remaining for the next day (1/2)

— Sarang Sood (@SarangSood) April 15, 2020

20. How options react and what the movement of prices tell us about what's going to happen.

Important tweet, go through this.

<https://t.co/ssV3Ha6iJY>

Nifty moves 100pts down and a strangle increases 10pts. Ways how options would react:

- 1) Cal only falls 2pts, put increases 12pts.
- 2) Cal falls 6pts, put increases 16pts.
- 3) Cal increases 1pt, put increases 9pts.

Same result, but all scenarios have different meaning. (1/3)

— Sarang Sood (@SarangSood) April 28, 2020

21. His explanation to me regarding why ratio spreads should have a debit and the benefits of them in different scenarios with examples.

<https://t.co/3BWY4GC306>

Selling more to receive credit would defeat the purpose of ratio spreads & it's better to sell strangles instead. We are doing it to profit from subtle theta decay & delta move in volatile situation.

For eg.

Buy 1 Atm cal @ 150

Sell 3 Otm cal @ 40

Debit is 30.

— Sarang Sood (@SarangSood) May 23, 2020

22. Super thread on options adjustments

<https://t.co/ICWrMokK69>

AN ESSENTIAL THREAD ON OPTION ADJUSTMENTS

Adjustments can be done in variety of ways & depends totally at the discretion of the trader. To get a clear mind we need to know the following:

- 1) What to follow,
- 2) How to make the adjustment,
- 3) When to make the adjustment. (1/5)

— Sarang Sood (@SarangSood) June 8, 2020

23. His reply to whether greeks are necessary?

They're an intelligent way of looking at options and also enable traders to trade complex scenarios/strategies easily.

<https://t.co/WXWA5szJY8>

Is a deep understanding of option Greeks really useful for a trader to learn?
What can be the advantages if you know Greeks well?

The perception about Greeks is that they're complicated and won't have an impact on one's trading.

Best man to answer is @SarangSood

— Aditya Todmal (@AdityaTodmal) September 20, 2020

24. His master thread.

Lovely threads on ratios/iron flies/adjustments etc are there.

You'll love this thread.

Others jargons in case you don't know.

AKBC - Aise kaise bc

NBN - Naach b***** naach ■

THE END

<https://t.co/c7TpZeVg9w>

Hello! Welcome to my profile.

This is Master thread of all the useful tweets (imo) that i have shared in the past. Going through them may provide some knowledge on options, volatility, greeks & trading psychology. Will keep updating in the future.

Thanks for following \U0001f64f

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— Sarang Sood (@SarangSood) January 30, 2021